
U.S. Senate
Republican Policy
Committee

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U.S. House
Republican
Conference

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November 17, 1995

Keeping Our Promise to America's Families

THE BALANCED BUDGET ACT OF 1995
CONFERENCE REPORT

In 1994, Americans spoke loud and clear about changing the direction of America — away from unending deficits, away from out-of-control spending and soaring debt, away from failed policies that sap families' taxes and give little in return. Americans sought a balanced budget, pro-family and pro-growth tax relief, an end to a failed welfare system, and security for retirees. Today, this new Congressional majority delivers on this commitment to Americans.

Our Children Will Pay Our Bills

Balancing the budget isn't just about keeping promises. It's about leaving a better life for our children:

- A child born today will pay \$187,000 in taxes *just to pay for their share of interest on the debt.*
- A 21-year old faces a bill of \$115,000.
- According to the president's own budget, our children and grandchildren will face lifetime tax rates of over 80% to pay our bills.

Our Choice: A Certified Balanced Budget or more Washington Gimmicks

The President's budget never balances — it would result in \$200 billion deficits well into the next century. Under the GOP budget, deficits shrink and the budget is balanced by 2002 (Source: Congressional Budget Office).

- Our path to a balanced budget shows steadily increasing spending, not "cuts" as our opponents have alleged. Revenues continue to climb, even after our tax relief is enacted and even using conservative economic growth estimates. There are no rosy scenarios here. And in 2002, the two lines meet — the budget is finally balanced. By contrast, the line representing the President's "balanced budget" continues to soar at \$200 billion deficits. His budget never balances, not in 2002, not ever.

The Balanced Budget Bonus

A balanced budget is about more than just accounting and tidy books. Budget deficits sap private investment, drive up interest rates, and debt service costs the average taxpayer nearly \$800 a year in taxes. Ending these deficits is the most important economic program this Congress can enact.

Economists predict a Balanced Budget Bonus in the form of lower interest rates — a reduction of up to 2%. Families, farmers, small businesses, students, anyone who buys a home or finances a car will see a benefit from this bonus.

- A family with an average mortgage of \$75,000 will save \$37,000 in interest over the life of the loan — an annual savings of \$1,200.
- A student with an average loan of \$11,000 (over 10 years) will save \$2160 in interest over the life of the student loan — an annual savings of \$216.
- A family buying a \$15,000 car will save \$900 in interest over the life of the car loan — an annual savings of \$225.

Saving Medicare From Bankruptcy

Our plan to save Medicare is honest, credible, and responsible. We offer seniors more choices for their health care, the same types of choices federal employees have. We increased spending per beneficiary from \$4,800 this year to \$6,700 in 7 years (preliminary estimate), and we keep premiums at the current 31.5% rate.

- The plan makes Medicare solvent well into the next generation, and allows time to plan for the retirement of the baby boomers. It locks savings in to the Medicare program, ensuring those moneys will be used only for Medicare's solvency.
- It expands choices for Medicare beneficiaries, providing them with the same options as their children and grandchildren.

Welfare Reform

Although welfare reform may be considered as separate legislation, provisions of the Conference Report ending welfare as we know it appear at the back of this document (see Appendix).

Tax Relief

We provide tax relief for families and economic growth. Families who will receive this credit—mostly those earning less than \$75,000 — deserve it, and no one should argue about cuts for economic growth. After all, that means jobs. But the important question to answer: can we provide tax relief and balance the budget? The answer is yes.

Agriculture — Key Provisions

Total Savings = \$12.3 billion

Highlights of the agricultural provisions of the Balanced Budget Act include:

- Restores control of farms to the farmer:** For the first time in 60 years, farmers will be back in control on their farms deciding what, when and how to plant. Farmers are fed up with complicated programs that require them to count, measure, certify and document every acre and crop on the farm. By eliminating crop-specific acreage bases, the Agricultural Market Transition Act will eliminate the bulk of the paperwork associated with the farm program. For farmers it means less time in the county CFSA office and more time farming. Ultimately, it means fewer federal bureaucrats and smaller government.

• **Friendly to the Environment:** To receive payments under the Agricultural Market Transition program, producers would have to meet existing soil conservation and wetlands protections regulations. In addition, the program would no longer tie the farmer to the same crop year after year, which burdens the soil. The bill allows farmers to maintain soil health and fertility through crop rotation and to rely less on chemical fertilizers and pesticides to maintain yields.

• **Provides stable support to farmers:** Participating producers will know for certain what the payment would be for the next seven years, thereby assuring a steady transition to a market-oriented program. Marketing loans are retained for commodities to protect against steep price declines without interfering with the marketplace.

• **Major contribution to slowing the rate of growth of federal spending:** True to our commitment to balance the federal budget in seven years, this proposal meets the savings required in the Balanced Budget Act. Further, to answer criticisms that the farm program is a "runaway entitlement," this bill, for the first time, places statutory caps on farm program expenditures. Farmers stand to benefit greatly from reduced interest rates due to a balanced budget. House Agriculture Committee analysis estimates this savings to be nearly \$15 billion over seven years.

Specific Provisions Include:

• **Production Flexibility Contracts** replace the major current commodity programs. These are 7-year contracts providing payment for 85% of a farm's contract acreage. In return, farmers would be free to plant any program crop, oilseed, industrial or experimental crop, mung beans, lentils and dry peas. The remaining 15% of acreage would be free from any planting restrictions.

• **The Peanut Program** is reformed to save \$434 million, making it a no-cost program. The price support is extended through 2002, but the quota support rate drops. Additional peanut program reforms will be considered as part of separate legislation.

• **The Sugar Program** is made more market-oriented by implementing a recourse loan system until imports reach a certain level. It terminates marketing allotments, and raises the assessment on sugar processors to achieve \$51 million over seven years.

• **The Conservation Reserve Program** is capped at 36.4 million acres for a savings of \$569 million over seven years.

• **Market Promotion Program** expenditures are capped at \$100 million through 2002 (saving \$59 million). **Export Enhancement Program** expenditures are capped as well, saving \$1.27 billion.

Banking and Financial Services — Key Provisions

Total Savings = \$4.9 billion

Deposit Insurance Funds: Conferees agreed to drop the merger of BIF and SAIF. The Commerce (Non-Health) merger of the charters of banks and savings associations includes language to provide for the House-passed savings.

Reduction in Assisted Housing Rent Adjustments: Reduce to 1 percentage point the rate of increase in assistance to certain privately owned projects where there is no turnover in the unit. Also limits overall annual adjustment factor to no more than the total cost of the operation of the project.

FHA Single-Family Assignment Program: Allow the Federal Housing Administration more flexibility in the management of the Single-Family Assignment Program

Abolish the Resolution Trust Corporation Oversight Board: Its responsibilities will be largely extinguished by the end of 1995 when the RTC closes down. Agreement to abolish the RTC oversight board as of May 1, 1996. For the period of January 1 through May 1, 1996, the Board will be limited to 18 positions.

Commerce (Non-Health) — Key Provisions

Total Savings = \$19.28 billion (estimated)

Nuclear Regulatory Commission Charges: This provision would extend through 2005 the NRC's authority to charge fees to offset 100 percent of its appropriation. Under current law, after 1998 the NRC would only be authorized to set fees equal to 33 percent of the budget.

Sale of Department of Energy Assets: Requires the Department of Energy to sell a variety of things, including fuel, chemicals, previous metals.

Spectrum Auction: \$15.3 billion is raised through the spectrum auction.

Economic and Educational Opportunities — Key Provisions

Total Savings = \$5.0 billion

Republicans are balancing the budget for our children's future while preserving this nation's investment in higher education. A balanced budget will not only ensure that programs like student loans will survive into the next century, but it will drive down interest rates on a 10-year student loan — saving about \$2,000 over the life of a \$11,000 loan.

House and Senate conferees have agreed to slow the rate of growth of spending by \$5.0 billion over seven years. Key provisions in this title:

- **Direct lending:** This flawed initiative has been found to cost federal dollars — rather than save money as originally claimed — and is a magnet for schools with high default rates. Conferees agreed to cap the direct lending volume at 10% (saving about \$1 billion) and eliminate the \$10 fee to schools for originating direct student loans).

•**Guaranteed loans:** Reforms to guaranteed loan programs (saving about \$3.9 billion over seven years).

•**Other provisions:** There are no adjustments to the interest subsidy during the grace period or the PLUS loan interest rate.

Government Operations and Reform — Key Provisions

Total Savings = \$11.1 billion

By reforming various federal employee retirement programs, this title saves \$10 billion over seven years.

•\$9 million of this title's savings comes from reforming Congressional pensions, conforming Member and staff provisions to those of the Executive Branch.

•Other provisions impacting federal employee retirement plans include a modest increase in employee contributions (0.5% phased in over three years), increases in agency contributions for CSRS employees, and extension of 1993's civilian COLA 3-month delay.

The Judiciary — Key Provision

Total Savings = \$476 million (estimated)

This title saves \$476 million over seven years by extending the patent fee surcharge.

National Security — Key Provision

Total Savings = \$649 million (estimated)

This title saves \$649 million over seven years through the sale of various commodities from the National Defense Stockpile.

Resources — Key Provisions

Total Savings = \$2.3 billion (estimated)

This title contains significant and common-sense reforms to the management of federal lands and resources. And after years of trying, the Balanced Budget of 1995 Act *finally sells the nation's helium reserves, saving \$47 million over seven years.*

•Allowing oil and gas leasing on the Coastal Plain of Alaska's Arctic National Wildlife Refuge (ANWR) will raise \$1.4 billion. The Coastal Plain comprises only 8% of the 19 million acre ANWR; this leasing provision is environmentally sound; it lessens our dependence on imported oil, and could create 732,000 new jobs in the

U.S., according to the Wharton Econometric Forecasting Associates. This provisions also establishes a National Park, Refuge, Fish and Wildlife Renewal and Protection Fund.

- This title reforms hardrock mining claims, requiring payment of fair market value for the surface estate, restricting patents to mining purposes, and imposing a royalty payment on the minerals. It also reforms maintenance fees and creates an abandoned mine lands remediation fund. These reforms will raise \$157 million.

- This title also transfers certain federal land holdings to states, sells the Alaska Power Administration in accordance with a 1989 agreement, and simplifies oil and gas royalty collections and procedures.

Transportation & Infrastructure — Key Provisions

Total Savings = \$1.3 billion (estimated)

This title of the Balanced Budget Act of 1995 extends certain fees, sells at fair market value certain federal properties, and makes technical corrections to highway formula projections. Overall, the title saves \$1.3 billion over seven years.

- Key provisions include: the Federal Emergency Management Administration is authorized to collect fees from nuclear power plans when they assist in developing emergency response plans; it maintains the tonnage duty on vessels entering the U.S. from any port; and it sells Governors Island and certain air rights, and corrects the projection for current law spending under the Minimum Allocation Program..

Veterans' Affairs — Key Provisions

Total Savings = \$6.7 billion

Increase Prescription Drug Co-Payment to \$4: This provision affects veterans who obtain prescription drugs for treatment of any non-service connected disability or condition. Former POWs are exempted

Flat Rate COLA for DIC: This provision would provide all surviving spouses under Dependency and Indemnity Compensation (DIC) a full "revised formula" COLA

Lift Prohibition on Home Loan Debt Collection: This provision would allow VA to collect home loan guaranty debts as it currently does for all debts arising under other VA programs.

Home Loans: This provision extends the home loan foreclosure procedure and loan asset sale authority. The provision also extends through September 10, 1996, the VA's authority to guarantee real estate investment conduits (REMICs) used to market loans.

Remaining OBRA 1993 Extensions: Extends the following: \$90 pension limit; income verification of pension recipients; home loan fees and reduce resale losses; recovery health care costs from health insurers; income verification for medical care; health care per diems

and \$2 prescription co-payments; round down of compensation COLA.

Repeal Gardner Decision: This provision limits VA compensation payment when there is an adverse outcome from VA-provided medical care. Compensation would be paid only when there is medical error or negligence.

The Medicare Preservation Act

Total Savings = \$270 billion
(includes "failsafe" of \$36.6 billion)

The Balanced Budget Act of 1995 incorporates the provisions of the Medicare Preservation Act of 1995. It will preserve the system for current beneficiaries, protect it for future beneficiaries, and strengthen it through reforms that have worked in the private sector. Our legislation to save Medicare revolves around five key components:

1. Keeping our government's commitment to traditional Medicare.
2. Allowing seniors the same health care choices available to other Americans.
3. Rooting out waste, fraud and abuse in the Medicare system.
4. Affluence testing for taxpayer-subsidized premiums.
5. Guaranteeing solvency through a budgetary "fail safe" provision and a lock-box.

Keeping Our Commitment to Traditional Medicare

- Average per beneficiary spending will increase from \$4,800 to \$6,700 (preliminary estimate) over the next seven years, a \$1,900 increase per retiree.
- No increases in co-payments.
- No increases in deductibles, and no indexing of deductibles.
- No increase in the current rate for premiums. Currently, premiums are 31.5% of Part B costs. They will continue to be calculated that way so they will increase slightly every year, just as they have since the inception of the program.

Giving Seniors More Choice Through MedicarePlus

Under MedicarePlus, a senior can choose a qualified private health plan and Medicare will send that senior's Medicare contribution directly to the health plan to pay the premiums. Seniors will receive a booklet every year detailing the options available in their area. The booklet will explain what benefits, if any, each plan offers in addition to the standard Medicare benefits package, and whether or not a beneficiary must pay an additional premium to participate. Every year, seniors will have the option to choose a new private plan or choose traditional Medicare.

- Today, the amount Medicare pays per beneficiary varies widely across the nation, based on a formula that props up medical costs in some areas. Rural areas have been particularly disadvantaged by this current formula. The MPA begins to address this disparity by increasing payment rates faster in rural, low-rate counties.

These options are available under MedicarePlus:

- Seniors will have the option to choose a managed care plan — like an HMO or PPO — that would cover at least all Medicare benefits and would limit out-of-pocket costs.

A senior choosing this option might agree to a limited choice of physicians in return for more benefits than Medicare currently offers.

- Seniors will have the option to choose a Medical Savings Accounts (MediSave). It will pair purchase of a high-deductible insurance policy with a designated Medicare medical savings account. The insurance policies (maximum \$6,000 deductible) are offered through traditional insurers, and the MSAs are managed by a financial trustee, similar to individual retirement accounts. Beneficiaries will be given the choice to select a MediSave product and gain direct control over some of the financial value of their Medicare benefit and any amount left over remains in their account. There will be a minimum balance requirement of 60% of the deductible level for any non-Medicare related purposes.

- Seniors can choose a fee-for-service plan unfettered by burdensome government rules.

- Seniors will have the option to choose a provider sponsored organization (PSO) — a network of doctors and hospitals joining together to provide beneficiaries at least the Medicare benefits package, without an insurance company acting as a middleman. These new organizations would be subject to state regulation on solvency, marketing requirements and quality standards. In order to ensure that they can organize in a timely manner, the organizations can appeal to the HHS Secretary if a state unduly delays its application, or if an organizations believes it has been treated unfairly.

Rooting out waste, fraud, and abuse

- Beneficiaries will be given more information to detect and report instances of fraud and abuse.

- Criminal and civil monetary penalties are stiffened.

- The Department of Health and Human Services is provided the authority to reward beneficiaries who report incidents of waste, fraud, and abuse.

Affluence Testing

- The MPA shrinks the subsidy Medicare currently provides to wealthy seniors. Single seniors with incomes over \$60,000 and couples with incomes over \$90,000 will begin to pay higher premiums instead of receiving a subsidy from taxpayers.

Guaranteeing Solvency Through a "Fail Safe" Provision

The solvency of Medicare is critical to current beneficiaries, their families, and for future generations who are counting on the program to be there when they retire.

- Within the fee-for-service Medicare program, the MPA sets spending growth rates for the overall program and for provider categories such as inpatient hospital services, physician services, home health care, durable medical equipment and laboratory services. Each year the Secretary of Health and Human Services will determine if Medicare spending will exceed designated spending. If so, the Secretary would determine which service category is exceeding its designated spending growth rates. The Secretary would then change the payment updates for those service categories to guarantee that spending growth is not excessive and Medicare would remain solvent.

CBO estimates place the failsafe figure at 36.6 billion.

- The "lockbox" provision locks in the savings from Medicare, ensuring it cannot be used for anything other than Medicare. *It makes it illegal to use Medicare premiums for anything other than Medicare.*

Graduate Medical Education

- The MPA will create a new Graduate Medical Education and Teaching Hospital Trust Fund to make annual distributions to teaching hospitals. The MPA places over \$13 billion in the trust fund over seven years, without taking funds from the payment formula for MedicarePlus options.

The Commission on the Effect of the Baby Boom Generation, a provision found in the House plan, was removed from the Conference report due to the Byrd Rule.

Medicaid

Total Savings = \$163.4 billion (estimated)

Medicaid is the single fastest-growing entitlement in both the federal and state budgets.

- Federal Medicaid spending has more than doubled in just the past four years, from \$41 billion in 1990 to an estimated \$83 billion in 1994 (the most recent year for which actual figures are available); without reform the Congressional Budget Office has projected that Medicaid costs will nearly double yet again by the year 2002.
- A study earlier this year by Wharton Economics Forecasting Associates estimated that between 1995 and 2002, if no reforms are enacted, states will have to spend \$688 billion of their own money on Medicaid; without reform, by the year 2002, the states will have witnessed an increase in Medicaid spending of *225 percent* over the 12-year period between 1990-2002.

The New MediGrant Program

The House-Senate Conference proposal transforms Medicaid to MediGrant, a unique new program which gives the states more money to deliver health care to the poor, and greater flexibility to do so in the most cost-effective way possible:

- More Money. The House-Senate proposal gives the states \$787 billion in MediGrant assistance over the next 7 years, an amount roughly equal to half the entire federal budget this year. In the year 2002 alone, the states will receive \$127 billion in MediGrants, *a 53 percent increase over 1994's \$83 billion figure.*

- Greater Flexibility. MediGrants end Washington's "one-size-fits-all" approach to health care, freeing state and local officials from meddlesome federal regulations and mandates, *giving governors and legislators the flexibility they need to design innovating new programs to meet the health care needs of poor persons within their communities.*

Taxpayers in certain states will be particularly hard hit if Medicaid isn't reformed:

- ***California*** will need to raise \$21.5 billion in new revenues or in budget cuts to pay its share of uncontrolled Medicaid growth between 1996 and 2002; ***New York*** will need to raise \$20 billion (\$10 billion of it in the form of local property taxes, because of New York's unique Medicaid funding method, which relies on local contributions of 50%); ***Florida***, \$15.2 billion; ***Pennsylvania***, \$13.7 billion; and ***Texas***, \$8.6 billion.

Enhanced federal assistance to the states for care of illegal aliens:

- The MediGrant proposal establishes a special, \$3.5 billion fund to help the states pay costs of Medicare care for illegal aliens.

Special protections for the most vulnerable:

- **Nursing Home Patients:** In addition, the MediGrant proposal enhances existing spending protections for nursing home patients, imposing a legally-enforceable set-aside for 85% of the funding for nursing care; today, most of those expenditures are wholly discretionary.
- **The Elderly Poor:** States must maintain spending for Medicare Part B premiums for the elderly with incomes under 100% of poverty (at least 90% of the average spending in FY93-95).
- **Infants, children and pregnant women.** House-Senate conferees have agreed to continue the entitlement to health care coverage for women and infants, and children under the age of 13 whose household incomes are below 100% of the federal poverty level.
- **The Disabled and Senior Citizens.** The MediGrant proposal requires states to maintain spending on senior citizens and the disabled, as determined by the states, at 85% of average mandatory expenditures for years 1992-1995.
- **Childhood immunizations are covered.** To ensure better prevention of childhood diseases, states will be required to cover childhood immunization according to a state determined schedule.

Federal nursing home quality assurance standards are retained:

- The 1987 federal Nursing Home Quality Assurance Standards are retained under MediGrant, with increased state flexibility for residential patient pre-screening and nursing qualification standards in rural areas. Enforcement will be conducted by the states, under federal oversight.

Federal spousal impoverishment protections are continued:

- Existing federal protections against spousal impoverishment under Medicaid will be continued. Under MediGrant, no American will be forced into the poor house simply because a spouse needs nursing care.

Miscellaneous Specific Provisions:

- States will receive funding at least equal to the higher of the House- or Senate-passed formulas. Funds are distributed according to a calculation which takes into account each state's number of persons in poverty, the severity of each state's MediGrant

caseload, each state's health care cost index, last year's federal matching rate and the state's ratio to aggregate federal spending per person in poverty.

Earned Income Credit

Total Savings = \$32.4 billion

Rewarding the Working Poor: In our overall efforts to reward families for making the transition from welfare to work, the Earned Income Credit will continue to play a vital role in our welfare reform program.

- Under the conference agreement, the EIC will grow from \$19.8 billion in 1995 to \$25.4 billion in 2002, with the lion's share of the program going towards those families making under \$17,000 a year.
- And when coupled with the \$500 per-child tax credit, working families using the standardized deduction will pay lower taxes next year.
- This agreement restores the EIC to its anti-poverty roots, makes sense by targeting benefits to families most in need, and treats fairly those who are eligible for the credit and those who pay for the credit.

Tax Relief for Middle-Income Americans

Congressional Republicans believe that strong American families form the soul of our nation, shaping our values while building our future. That's why we target the lion's share of tax relief (73%) to strengthen families through the most important moments of life: marriage, birth, education, illness, and the twilight years for our elderly. Our tax package will provide the following benefits to middle-income American families:

- So that overtaxed middle-income families don't have to wait for their share of the balanced budget bonus, the income threshold for the \$500 per-child tax credit will be set at \$75,000 for individuals and \$110,000 for joint filers, allowing the credit to go into effect on October 1, 1995, not January 1, 1996. Twenty-nine million Americans will benefit from the credit. [\$147.6 billion]
- Tax laws should not penalize people whose tax filing status changes because they fell in love and married. Married couples who claim the standard deduction (generally speaking, those with average incomes of \$50,000) will receive \$8 billion worth of relief from the marriage tax penalty. That means about \$217 of annual tax relief for 23 million taxpayers.
- One hundred thousand families that seek to adopt children will receive a \$5000 tax credit per child to help defray the costs of their adoption expenses. [\$1.9 billion]

- Almost one million taxpayers who take care of their ill parents in their own homes incur extra expenses. To aid those keeping their families together, Americans will benefit from a \$1,000 deduction designed to offset the cost of caring for ill parents at home. [\$830 million]
- To keep families protected from the high costs of health care bills, 8 million taxpayers will receive favorable tax treatment for long-term health care insurance and accelerated death benefits. [\$6.8 billion]
- More than 3 million self-employed Americans will receive a phased-in deduction of 50% of their health insurance costs.
- To encourage cost-cutting competition in health care while providing patients with new options, Medical Savings Accounts are created that will allow tax-free treatment of money set aside to pay medical bills. An estimated one million taxpayers will take advantage of this new program.
- To give 2 million taxpayers additional financial support during key moments of their lives, an American Dream Savings Account is established and 2 million increased IRAs will be made available. The American Dream Savings Account is a back-ended IRA that will allow tax-free withdrawals for first-time home purchases, long-term care expenses, post-secondary education needs, and retirement income. Current law IRAs will be available to single filers with incomes less than \$85,000 and couples with incomes less than \$100,000 (phased-in). Non-working spouses will be allowed \$2,000 IRAs under current IRA laws. [\$11.8 billion]

Tax Relief for Economic Growth

Republicans know that strong families need good jobs. That's why our package provides targeted tax relief aimed at the engine of economic growth — America's private sector. Unlike the 1993 Democrat plan which raised taxes in the name of economic growth, the Balanced Budget Act of 1995 cuts taxes so the private sector can create more high-paying jobs.

- To stimulate the creation of new, high-paying jobs, 9 million taxpayers will receive, effective January 1, 1995, a 50% capital gains deduction, with a maximum capital gains tax rate of 19.8% for individuals. Six million of the 9 million will have incomes less than \$100,000 a year. The rate for corporations will be set at 28%. A study by the American Council for Capital Formation predicts cutting the capital gains rate will create hundreds of thousands of new jobs annually. In addition, those who have sold their homes at a loss will, for the first time, be able to deduct up to \$3,000 annually as a capital loss. [\$35.7 billion]
- The Alternative Minimum Tax will be reformed, conforming the method of depreciation to "regular tax" method, thereby significantly reducing the complexity of the AMT. [\$16.3 billion]
- To help small businesses grow and be able to hire more workers, the expensing limit will rise from its current rate of \$17,500 to \$25,000 in 2002. [about \$3 billion]

Other Key Tax Provisions

Total Savings = \$20 billion (estimated)

- A new Taxpayer Bill of Rights is created that gives enhanced protections to taxpayers who find themselves in disputes with the Internal Revenue Service.
- More than two dozen changes raise approximately \$20 billion from updating, modifying, or eliminating tax provisions that uniquely benefit corporations are included. These include the phased-in repeal of Section 936 and the elimination of interest deductions for corporate-owned life insurance policy loans.
- A host of tax provisions concerning individuals, pensions, partnerships, foreign taxes, estate, gift, and trust taxes, and excise taxes are simplified. In addition, several tax provisions due to expire are extended.

Note: Some of this document was prepared using preliminary information. It is organized in part by House committee jurisdiction and in part by titles of the Balanced Budget Act.

Appendix

The Personal Responsibility and Work Opportunity Act

Total Savings = \$81 billion (estimated)

Today's welfare system destroys families, erodes the work ethic, and traps people in a cycle of government dependency. Republicans are committed to replacing this failed system with reforms that promote the dignity of work and strengthen families, that move solutions closer to home and offer families hope for the future.

Moving Help to Where it is Best Delivered: The best welfare solutions come from those closest to the problems — not from bureaucrats in Washington. All across the country, state and local officials are creating successful methods of moving people to work and our plan recognizes this fact.

- We streamline the overwhelming number of welfare programs by consolidating them into cash, child care, child protection, and nutrition block grants, and allow the states to continue or design their own successful welfare programs.
- Block granting eliminates bureaucratic red tape and gives the states the flexibility needed to be innovating in combating poverty. Allowing states to set definite limits on the receipt of welfare benefits, while allowing the flexibility needed to move people into work, will help end dependency on government that has locked millions of families in poverty, many for generations.
- Allowing states to transfer money between block grants will make sure that funds are targeted to where they can do the most good, with federal monitoring ensuring that taxpayers' money is spent properly. While we end the entitlement status of welfare, we ensure that the social safety net remains in place by requiring states to spend at least 75% of what they spent in FY95 on welfare programs, with exceptions for the states that are most successful in putting people to work.

Making the Leap from Welfare to Work: Moving people from welfare to work is the foundation of the Personal Responsibility and Work Opportunity Act.

- Under this conference agreement, able-bodied individuals may receive welfare for up to two years, and less at the state option, before they are required to work.
- So that welfare can never become a way of life, five years is the maximum an individual could collect cash welfare benefits during their lifetime, again with a state option to reduce the maximum. Fifty percent of families receiving cash welfare in every state must be working by the year 2002, or the state will face monetary penalties.

Helping Mothers go to Work By Providing the Necessary Child Care: If we are to be successful in helping families leave welfare for work, adequate funding for child care is a must. The Personal Responsibility and Work Opportunity Act creates a child care block grant worth \$17 billion over the next seven years. This legislation consolidates numerous child care programs so state administrators will have the flexibility they need to target

funds to move families off welfare and keep them independent of government assistance. And just to make sure that this money is spend only on child care, this is the only block grant from which states may not transfer funds over the next five years.

Teen Moms and Family Cap: We must stop rewarding destructive behavior like children having babies outside of marriage and families on welfare having more children they can't afford.

- Under the Republican proposal, states have the option of not providing cash assistance to these teen moms. Plus, minor moms would have to live at home and attend school in order to keep their benefits.

- For the first time, it will be a matter of national policy that federal funds may not be used to provide additional welfare benefits to families that have more children they can't support.

- States can "opt out" or override this national "family cap" policy, but every state will either abide by the policy or have a statewide debate and vote on this crucial policy. No employer gives workers a raise simply because they have another child. Taxpayers shouldn't have to, either.

Alien Welfare Eligibility: America will continue to be the land of opportunity for immigrants, not a land that offers dependency on welfare. Presently 91% of non-citizens in the United States are working residents who don't rely on government support. It is unfair for the other nine percent to undermine the American tradition of work and opportunity. Non-citizens over 65 are five times more likely to be enrolled in SSI than citizens over 65. Immigrant applications for SSI increased 370% from 1982 to 1992, compared to 39% for US natives.

- That is why the Personal Responsibility and Work Opportunity Act of 1995 disqualifies non-citizens from receiving SSI and Food Stamps (for current beneficiaries starting January 1, 1997, and for all others immediately) and gives states the option of providing AFDC, Medicaid and Title XX social services to legal non-citizens now in the US. For aliens arriving after the date of enactment, all federal means-tested benefits are restricted, with limited exceptions including emergency medical services and disaster relief. Refugees, asylees, veterans, and others who have worked for more than 10 years are excluded from these changes.

- These changes reinforce current immigration policy, which clearly states that aliens should not be dependent on public assistance.

Reforming SSI: Supplemental Security Income is another Washington social program that has become so twisted with fraud and abuse that we now buy drinks for drunks and drugs for drug addicts.

- We put a stop to this by ending disability payments for drug addicts and alcoholics, and use part of the savings to pay for more treatment programs.

- We also reestablish priorities within the program that provides benefits for severely disabled children. Under our bill, children with minor disabilities such as behavioral

problems who should never have qualified for federal benefits of more than \$5,000 per year are removed from the rolls. Disability reviews are stepped up so that only children who truly require assistance receive it. And the most disabled children who remain on the SSI program will receive a higher cash benefit than those with milder disabilities. Still, after all these changes take effect, more than twice as many children will receive monthly federal SSI benefits than were benefiting as recently as 1989.

Protecting Children: Eliminating the mountains of red tape and federal regulations will help states to be proactive in their efforts to protect children. We consolidate almost 2 dozen separate child protection programs into two block grants and send them to the states where governors and state legislators can target funds to prevent child abuse and neglect before it occurs.

- The principle of local control and accountability, tied with Federal funding and general oversight so children in poor states are not left behind, would replace the tired and unsuccessful approach that only Washington knows best when it comes to protecting abused and neglected children.